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ABSTRACT

Since the late 19th century, the proprietary school sector in the United States has undergone four major cycles of scandal and reform: the emergence of the commercial college sector in the 1870s, the progressive era of the early 20th century, the fallout of the Servicemen's Readjustment Act of 1944 (GI Bill), and the period following the 1972 amendments to the Higher Education Act. Early reformers were school operators who addressed concerns over length of courses and solicitation practices. At the turn of the 20th century, external groups attempted to reform proprietary school behavior in these areas: intense competition that forced school owners to use unethical solicitation tactics; schools ill equipped to prepare youth for meaningful careers; and admission of students who could not benefit from instruction. Scandals connected with the GI Bill provisions involved overcharges, lax reporting of dropouts and overpayments, inefficient regulation, and infractions involving Veterans Administration (VA) staff. VA reforms addressed the program, not the proprietary school sector. The modern era of scandal involves disbursement of capital not accompanied by meaningful regulation and oversight and loan defaults. Issues targeted by contemporary reform, with the exception of loan defaults, have not changed much since the turn of the century. To encourage reputable institutions over the disreputable, reformers should work to integrate proprietary schools into the mainstream of U.S. education. (Contains 35 references.) (YLB)

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Chronic Scandal in the American Proprietary School Sector: A Historical Perspective on Why Treatments Have Not Provided a Cure

Paper presented to the Annual Meeting of the American Educational Research Association

San Francisco, CA

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Introduction

For more than three centuries now, American proprietary schools (a.k.a private, for-profit vocational schools and career colleges) have diligently served a large segment of our population -- those who seek immediate and narrowly focused work education and training (Herrick, 1904; Seyboldt, 1925/1971; Lyon, 1922; Haynes, 1935). At the same time, the sector has been the subject of recurrent public scandals -- sudden school closings, unethical solicitations, and student loan defaults. Several times throughout the sector's history, government agencies, legislators, business leaders, and educators have moved to change the way schools operate or, if possible, to eliminate them altogether.

But while reform attempts temporarily have increased or decreased the numbers of proprietary schools operating at given times, none has altered significantly the way the schools function nor mitigated the many problems that burden the sector. To many, the schools remain heroes, delivering a type of education and training no one else can or will. To others, they have been and still are nothing more than villains, scams operating under the color of educational institutions. As a society, we continue to be uncomfortably ambivalent about the sector in general.

In this paper I review four major cycles of scandal and reform the American proprietary school sector has undergone since the late 19th century and attempt to explain why efforts to bring about lasting, positive change have been largely unsuccessful.

Attempts at Reform

Two factors have frustrated meaningful reform of the proprietary school sector: internally, the sector's associations and accrediting bodies have been unable to weed out opportunists and less than capable operators who tarnish the reputations of established institutions; externally, reformers and policy makers have been either unable or unwilling to create legislation that promotes the good in the sector at the same time it attacks the bad. Ironically, the most prominent governmental action to date to impact the schools -- including them in various federal grant and loan programs -- ultimately has done as much harm as good to for-profit schools in that the access to federal moneys the government has offered has not been accompanied by foresighted regulation and has, with tax dollars, encouraged the growth of illegitimate enterprises and practices.

These shortcomings will become evident as we examine four episodes that most clearly expose the proprietary school dilemma: the emergence of the commercial college sector in the 1870's; the progressive era of the early 20th century; the fallout of the Servicemen's Readjustment Act of 1944 (GI Bill); and the period following the 1972 amendments to the Higher Education Act.

The Dilemma of the For-Profit School in America

As Americans, we hesitate to fully embrace proprietary schools; at the same time we want our educational system to respond to the needs of industry and individuals we are reluctant to endorse the "business-like" tactics -- aggressive marketing, consumer-driven curriculum, narrowly focused courses -- proprietary schools tend to use to deliver their products.

We can trace this dilemma along historical and philosophical lines to the competing notions Americans hold regarding the purpose of education. Our first colonists from Europe carried with them a tradition of classical education but an entrepreneurial, "frontier" spirit as well; while they believed the community had a responsibility to educate its young to be good, moral citizens, they also understood the immediate need to pass along practical skills, crafts, and trades. This dichotomy -- that pits classical against practical education as schooling's primary objective -- can and has been discussed to a great extent by observers of American education (Hofstadter & Hardy, 1952; Hutchins, 1936; Kantor & Tyack, 1982; Carnoy & Levin, 1985). There are, however, more concrete and immediate events that explain the dilemma we have with our for-profit schools.

For the greater part of the nation's history, private, proprietary schools provided America its only true popular education. During the 17th, 18th and 19th centuries, when the nation's colleges catered to an elite

5% of young adult men and attempts at universal schooling were sparse and unsuccessful, entrepreneur-educators taught classical subjects as well as vocational courses in commercial arithmetic, languages, bookkeeping, surveying, navigation, building and mechanic trades (Seyboldt, 1925/1971; Herrick, 1904; James 1900). Their for-profit schools enabled non-elites to enter the legal and medical professions (Kaufman, 1976); they taught subjects in a way no other schools could or would teach them and sought out students no other schools could or would invest time in. By the time the United States could boast a comprehensive popular education system in the early 20th century, proprietary schools had been delivering education and training to the American "people" for more than two centuries.

However, with the advent of professional education at the university level following the Morrill Acts (1862, 1890) and the successful development of the comprehensive high school at the dawn of the 20th century, the environment changed for the proprietary school sector. What were once respected as schools that were, as Seyboldt (1925/1971) notes, "first to recognize, and first to respond to the educational needs of the people," were now perceived as extraneous and parasitic: "a system of education whereby those who offer it make their livelihood from struggling parents, who already pay taxes in order to offer the same instruction free, and in a better way to their children" (NSPIE, 1910. p. 73).

Proprietary schools fell into relative disfavor at the beginning of the 20th century for three main reasons: one, as the need for industrial

and commercial training increased with rise of big business in the late 19th century, a large number of opportunists interested only in a quick profit opened schools, marketed aggressively and paid little attention to the quality of instruction (Herrick, 1904; Lyon, 1922; Haynes, 1935); as well, while the proprietary sector once consisted of a mix of common, preparatory, avocational, trade and commercial schools, during the 19th century the sector grew to be dominated by vocational and professional schools that contrasted sharply with a growing public school sector featuring "comprehensive" education; and three, the public sector was, by the early 20th century, particularly after receiving funding via the Smith Hughes act of 1917, emboldened to teach the vocational subjects and handle the trade-bound students previously relegated to the for-profits. This created a clear distinction between tax-supported and for-profit schools.

As the Progressives of the early 20th century focused on perfecting public institutions of all types while they attempted to regulate private ones, proprietary schools naturally began to draw scorn from all corners of progressive society -- educators, government officials, labor and a large segment of the public. From their nemesis' view, courses for-profit schools taught were too short; they solicited students who would not benefit from instruction; they produced inferior craftsman who lowered the stature of trades; they misled students about facilities, course work and job placement. And later in the century, they would use students as tools to wrest loan and grant money from government coffers.

The attention the schools began to gain in the late 19th and early 20th centuries as suspect alternatives to the now bold, tax-supported popular education system spreading across America fed cycles of scandal and reform that would continue to envelop the schools to this day.

Early Attempts at Self-Regulation: Chains and Rebel Associations

Private, for-profit schools populated our early colonial cities and offered a variety of courses from navigation and building trades to law, medicine and bookkeeping (Seyboldt, 1925/1971; Herrick, 1904; Lyon, 1922; Haynes, 1935; Kaufman, 1976; Petrello, 1988). The colonies boasted an interesting array of "adventurers" as well, opportunistic proprietor-educators who taught mostly avocational subjects and whom Kendall (1973) describes as "unscrupulous, self-serving, and of doubtful origins and attainments" (p. 16). The early 19th century also had its blend of well-intentioned and not-so-well meaning educational enterprises: while many bookkeeping schools kept pace with the demands of a growing industrial nation (James, 1900), a large number of ill-conceived, for-profit medical schools produced inept, unskilled physicians who would let many Civil War wounded die unnecessarily (Kaufman, 1976). The 19th century American federal government was not yet sophisticated to the point it could usher in meaningful reforms for any industry, much less proprietary schools. The schools themselves were too scattered and competitive to agree on common improvements.

It wasn't until the middle of the 19th century that a shadow of a sector emerges -- a cohesive association of schools that recognized itself as an industry, responsible for policing itself and collectively pressing for positive public relations.

This embryonic sector grew out of a group of business colleges under the umbrella of the Bryant Stratton business school chain. H. B. Bryant and H.D. Stratton established the first Bryant and Stratton business college in Ohio in 1853, a partnership with a James W. Lusk, who was then a teacher of the Spencerian penmanship method (Herrick, 1904). The schools grew rapidly on a simple model: Bryant and Stratton would find proprietors in major cities where schools already existed, convince them to be local partners of the Bryant and Stratton chain, and give them a percentage of the schools' net profits, usually between 30% and 50%. They used uniform textbooks and initiated interchangeable scholarships to attract students. At its height, the Bryant Stratton chain consisted of more than 50 schools (Herrick, 1904).

The Bryant Stratton chain was not the only game in town -- several independent business colleges flourished and other chain-like schools existed including the Draughton and Eastman schools (Herrick, 1904; Petrello, 1988). However, the Bryant Stratton chain was by far the largest and linked together the greatest number of independent school operators.

Inevitably, the chain gave birth to what appears to be the first organized reform movement in the American proprietary school sector. In the mid-1870's, several Bryant Stratton members grew dissatisfied with

the course the chain was taking and sought changes in some of the more prevalent business college practices. The dissident group focused on systematizing course length and instruction and lengthening standard courses. They also sought to assure the public that they had no intention of interfering with schools that provided general education:

> We desire, also, to state most explicitly that we do not entertain the thought for a moment that our schools can in any way be substituted for those whose object is the general education of the people. On the contrary, we believe that, in any healthy system of education, the special school can only supplement and be founded on the general school. We have no desire to offer any inducements to young men, to draw them away from their general studies prematurely, for we believe the highest culture is just as essential to those who would occupy high positions in business life as to any other class of citizens (Constitution of the National Union of Business Colleges, 1866, cited in Herrick, 1904, p. 196.)

Early reformers, bent on preserving the marketability of private business colleges, addressed what were apparently public concerns over the length of courses found in proprietary schools and the solicitation practices of many schools which targeted students who may have otherwise attended general schools. We don't know to what degree this action was successful at influencing the schools or quelling public concern. However, James (1900) offers a perspective on the improvement which appeared to take place from the 1860's to the turn of the 20th century:

> Increased popularity led to higher fees, longer courses, to the preparation of printed texts; life and interchangeable scholarships were abolished; the teaching force was increased; students were no longer adults wearied by daily labor; the commercial school began

> to draw young men and boys looking forward to employment; day classes largely took the place of evening instruction; school equipment improved and gradually these institutions grew into the apparently permanent place in public favor which they enjoy today (p. 7).

The actions of responsible commercial college proprietors seemed, to James, to have increased both the effectiveness and the popularity of the for-profit business college by the turn of the 20th century. What we find in the progressive era contrasts with this. The progressives' reform efforts directed at for profit schools coupled with those of industry, labor, and advocates of public vocational education, suggest a proprietary school sector as scandalous and as shamelessly profit-motivated as it could be.

Progressive Attempts at Reform

While school operators themselves recognized the dangers of unpopular practices and attempted to stimulate changes in the sector during the 19th century, the turn of the 20th moved outside groups to reform proprietary school behavior. The pressures came from several corners -- public vocational educators, manufacturers, labor, the public at large. On the heels of the industrial revolution and barrel-chested following a military victory over Spain, the nation looked forward to assuming a role as a global power. A coalition of progressive politicians, businesspersons, social workers and academics sought to usher in the new century with bold plans, ones that pictured a society managed to

perfection, scientifically. These progressives, particularly businesspersons, sought to usurp control of the nation's educational system from local communities (Kantor & Tyack, 1982; Carnoy & Levin, 1985). Caught in the sweep of progressive movements in industry and government, proprietary schools, enterprises which made their money selling education for a profit and which were the antithesis to a new "urban order" built upon great public bureaucracies, naturally became the target of criticism.

The shift in national priorities in which proprietary schools found themselves caught is summed up well by Secretary of Commerce, William Redfield in 1913:

> Let me suggest that while we must not forget the great debt we owe to the private vocational schools, the future of this education lies in the hands of the public school. The private industrial schools have been the beacons which have lighted the course on which the ship of state must now sail (NSPIE, 1913, p. 94).

Proprietary schools, for the most part still a disorganized collection of various types, were easy targets for reformers because the schools' characteristics were so different from those of the new breed of common elementary and comprehensive high schools. To set the scene for the following discussion, we can look at how Bertha Stevens, in a report commissioned by the Public Education Committee of New York City, (1918) described what she found in Manhattan and the Bronx:

> 40 out of 67 private commercial schools in Manhattan and the Bronx register 7000 day and 6000 evening pupils. The majority of pupils are 15 or 16 years of age and have completed the elementary school. The average period of attendance is six months; the uniform expense, $10 per month. Nearly all of these schools operate employment departments and feel responsible for securing the first position, although no particular effort is made to know the character of the position to which pupils are referred.
>
> Solicitation of pupils for private school courses is a common practice. Many solicitors work on a commission and have no other connection with the school that employs them. The best schools admit that they registered many children who chose their courses wrongly, who are too young, too unprepared academically, too immature, and too undesirable personally to secure and hold positions in the lines of work for which their ambition is influencing them to prepare.
>
> Commercialized education of this type, more or less prevalent in all of our larger cities, means that hundreds of young people upon whom the public schools have lost their hold are investing time, money, and effort in vocational training which foretells discouragement, discontent, and enormous labor turnover, or acceptance of work which they could have done equally well without training. Employment records, on one instance, show that 23 percent of the positions held could have been filled equally well with no training other than that offered by the elementary school. In a second instance we find that out of 697 placements more than one fourth were retained less than one month.

The major criticisms aimed at early 20th century for-profit schools were that intense competition forced school owners to resort to unethical solicitation tactics; that too many of the schools were ill equipped to prepare young boys and girls for meaningful careers; and that too often the schools would admit students who could not benefit from instruction.

This characterization, which portends the types of problems that surround the sector today, is not an isolated one. Four sources from the period similarly outline the pressures that beset the for-profit vocational

schools during the progressive era: the noted Flexner Report (1910) signaled the end to a period in which the medical training field was flooded with proprietary institutions, largely unregulated; the journals of the National Society for the Promotion of Industrial Education (NSPIE), an organization devoted to legislation that would provide public schools with vocational programs (the Smith Hughes Act of 1917), provide a wealth of data that describe the drive to reform, or even possibly destroy, private, for-profit vocational schools; the report of the City Club of Chicago (1912) on vocational education in that city and the New York City Public Education Committee report on its investigation of private vocational schools (cited in Lyon, 1922) also document the nature of scandal and reform during this period.

The NSPIE Movement

Led by its Executive Secretary and Commissioner of Education for Massachusetts, Charles Prosser, NSPIE represented a coalition of business, labor and education leaders who felt that public vocational education could "fit the great mass" of the people for "useful employment" (Kantor and Tyack, 1982, p. 30). Their campaign, which many believe began as early as 1890, culminated in the passage of the Smith Hughes Act in 1917, a law which appropriated federal funds to certain vocational programs in public and non-profit schools[1] .

[1] Smith-Hughes, interestingly, did not provide funds for business and commercial subjects (Kantor & Tyack, 1982, p. 35), which may account for the fact that the business

Business' strongest concerns regarding private schools centered on their ineffectiveness at producing "generalists" who could handle the complex challenges of a dynamic new workplace[2] .

Labor overwhelmingly opposed the schools because they saw them as "scab hatcheries", schools which produced poorly trained workers who lowered the stature of the trades as a whole and who were often produced as strike-breakers by manufacturing concerns. Labor advocates very likely lumped all for-profit vocational schools into the same category as "corporation" schools, which were indeed controlled by manufacturing concerns (Lyon, 1922; Haynes, 1935):

> The trades schools, which instead of being run for the purpose of educating the youth of our country along industrial lines, have been nothing more or less than scab hatcheries, turning our misguided young men to take the places of union men who were making an effort to bring about better wages or better conditions or themselves, and those who come after them (NSPIE, 1907, pp. 24-25).

> In this city for instance there is a trade school which advertises that it will teach a boy the plumber's trade in a period of six months and guarantee that he will at the end of that time be competent workman. The man of experience who has served an apprenticeship of five years

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colleges of the era came under significantly less attack in NSPIE meetings than did trade schools.

[2] That business should condemn the profit schools for their narrow focus is ironic in that many of the larger corporations of the day including American Telephone and Telegraph, General Electric, Westinghouse and U.S. Steel had created their own "corporation schools". Kantor and Tyack (1982) suggest that these large firms were eager to join in the push for Smith Hughes in order to defer these training costs to the public dole (P. 25). Ironic also is a call for generalists at a time when industry had intensified the specialization of the workplace -- by "generalists" they implied that they desired workers who could adjust to any of the given specialties that might be created.

> and who found that he had much to learn after becoming a journeyman, knows that such claims are absurd. But it is such schools, run for private profit, schools that seem to care nothing for the boy beyond the tuition fees he is able to pay, that have given the average wage-earner his idea of trade schools (NSPIE, 1908, pp. 49-50).

Public educators railed against the schools as deceptive in their solicitation and inferior in their ability to train workers:

> So keen is this competition for students that the addresses of the boy and girls in the eighth grade are paid for in order the representatives of these private commercial colleges may call upon the parents to bring pressure upon them to send their son or daughter to receive such instruction. Positions are promised to graduates. By this means many of our boys and girls receive a wrong impression of the true value of an artisan's life simply because a position which permits white collar and cuffs and clean clothes is made to appeal to them. I look, if not with suspicion, at least with anxious curiosity upon any system of education whereby those who offer it make their livelihood from struggling parents, who already pay taxes in order to offer the same instruction free, and in a better way to their children (NSPIE , 1910, p. 74).

NSPIE's proposal for reform was clear: Pass the Smith Hughes Act and place control of vocational education in the hands of public authorities. Significantly, as Kantor and Tyack (1982) and Carnoy and Levin (1985) point out, public authorities were increasingly coming under the control of business interests; business made it very clear it wished to control the course of public education.

The City Club of Chicago

In 1912, the City Club of Chicago commissioned a report to study the state of vocational education in Chicago and other cities. The report included much of the rhetoric contained in the NSPIE journals, and was harshly critical of for-profit schools. It focused primarily on the schools'

solicitation techniques which it implied had reached scandalous proportions:

> Solicitation of pupils and parents by agents of private commercial schools and business schools is widespread in Chicago. It is the opinion of the writer that in this practice and its results can be found to some extent the answers to three questions which have been frequently asked:
>
> Why do so few pupils enter the high schools of the city?
>
> Why does such a large percentage of high-school pupils drop out early in the course?
>
> Why are the commercial schools so severely criticized by the business men of the city, in whose offices the students from the school find employment? (City Club of Chicago, p. 251)

These are pretty strong allegations -- holding the proprietary commercial schools responsible for kids straying from and dropping out of high school. The report, as evidenced by the following excerpts, degrades the schools as scandalous not only with the content of its comments but with its choice of words and tone as well:

> The following evidence...shows that the solicitor for the business college is a serious evil in the community (p. 251).

> Extent of the Evil
>
> There are in Chicago forty-two or more private commercial schools or so called "business colleges," purporting to train boys and girls of the city who wish to prepare themselves for wage-earning in clerical and office positions....(P. 251).
>
> ...Most of the solicitors for these schools are working on a commission basis and tend, therefore, to be more interested in securing the students than they are in telling the truth; in the amount of business they secure than in the maturity or fitness of the pupils they solicit. In very many cases the pupils, even from the fifth grade on up, are induced to leave the public schools for the purpose of taking a course in some business college. Pupils are solicited who have no adaptability for commercial training.

> Many Students are secured by means of what must be regarded as misrepresentation on the part of the solicitor. They promise the prospective student a job at the end of his short term of study. They draw attention to the fact that certain students have completed courses of study in a short period of time and are now holding good positions..(p. 252).
>
> ...That such children are being solicited and enticed from the public schools in all parts of our city is a fact that is affirmed by every public-school principal whose opinion was sought in the investigation of this problem (pp. 252-253).

Here is cited nearly all of the problems which plague the sector today: accusations of misleading solicitation and advertising; misrepresentation of job placement capacity; soliciting students who do not have the "ability to benefit" from commercial instruction; an emphasis on profit before educational concerns. The report goes on to include testimony from "reputable proprietors" who claim that they are forced to use unethical tactics because the competition does:

> The reasons why the business colleges of our city are putting out such an immature product and foisting it upon our business men are these: Many of the proprietors care more for the dollars received as tuition than the kind of training they are giving; because of solicitation, we are getting our pupils too young and immature; the high cost of solicitation renders it impossible to provide high-class instructors (p. 256).

In the end, because they must match the funds their competitors spend on advertising and solicitation, some proprietors claim that they have little funds left to provide their students a higher grade education.

In its recommendations, the City Club report makes no mention of reforming the private schools or harnessing their potential for commercial

education. Instead, among many other recommendations for vocational education in Chicago, it advocates setting up public vocational schools distinctly separate from normal public high schools which, in the interest of saving dropouts from dead-end careers, will cater to children as young as 14 years (pp. 12-13). It is clear that this business association had no interest in reforming or promoting the private, for profit schools.

New York City Study of 1918

A study conducted by the Public Education Committee of New York City in 1918 showed that not much had changed since 1912 in the way of the "scandal" that surrounded the proprietary schools from the progressives' perspective. The report cited competition between schools, unethical solicitation, poor facilities, and inadequate course lengths as the primary problems associated with the schools. The New York study also included "sudden closings" of schools as a concern. However, unlike the Chicago business group's study, the Committee report included several recommendations for reform which included proposals for regulating the schools. They included the issuing of a state license, annual registration of all private education institutions, state censorship of advertising material, standardization of courses, regular official inspection, and rules curbing competition which leads to unethical practices (Stevens, 1918 cited in Lyon, 1922, pp. 305-306.) (Please see appendix A for a more complete presentation of the study's recommendations). I am not clear as

to what form, if any, these recommendations became law or were directly responsible for reforming school practices.

Internal Reforms: The Founding of the NAACS

Perhaps coincidentally, perhaps not, in December of 1912, the year the City Club of Chicago released its report, several prominent proprietors of business colleges gathered for a convention in Chicago and formed the National Association of Accredited Commercial Schools (NAACS) (see Petrello, 1988 for a full historical development of NAACS and its development into the Association of Independent Schools and Colleges -- AICS). The Association's governors were quick to assert that they wished to improve the practices and public image of all private schools as well as member schools. They sought to lengthen enrollment terms, standardize curriculum, and "eliminate from the school field irresponsible institutions that have neither educational ideals nor moral standards, and are organized merely to prey upon the credulity of the people" (cited in Lyon, 1922, p. 308). The governors addressed head on the issues raised by NSPIE members and the City Club of Chicago report:

> This Association condemns the indiscriminate guaranteeing of positions, inadequate tuition rates, short, incomplete courses, and misleading representations, whether in direct solicitation or in general advertising.
>
> This Association will actively prosecute whenever possible under the Fraudulent Advertising Act, schools that can be shown to be using fraudulent, misleading advertising, or advertising methods that are condemned by the Fraudulent Advertising Act (p. 308).

The goals of the NAACS are further preserved in its "Standards of Practice" which, adopted at the group's 1914 annual meeting, specifies the procedures through which reputable schools can comply with NAACS reforms (please see Appendix B for the complete text).

The forces present during the progressive era decidedly tore away any cover that insulated the proprietary sector from public scrutiny and attack. Indeed, it set the stage for the struggle that would ensue in the course of the 20th century between the advocates of public and for-profit vocational education. While private, for profit vocational schools contributed greatly to training workers gearing up production for World Wars I and II (Petrello, 1988), the next time they would enter the public spotlight, they found themselves once again in hot water -- virtually drowning in the scandalous fallout of Public Law 346, more commonly known Servicemen's Readjustment Act of 1944 --the "GI Bill of Rights".

The Scandal Surrounding GI Bill Support for Training

As World War II progressed, the War Department and Congress anticipated that returning GI's would need training upon their return and would need to be assisted somehow in continuing educational plans that were disrupted by the their service. The result of Congress' deliberations was the GI Bill, a package of benefits conceived to support servicemen who wished to seek education after their tours of duty, along with other

assistance such as home and business loans, retirement pay, and job counselling (U.S. War Department, 1944).

Approved[3] proprietary schools were included in the list of schools which a returning serviceman could attend and be reimbursed for. In fact, during the first few years of the program, a GI could pursue a wide variety of avocational as well as vocational courses and be reimbursed up to a specified amount.

This was the first time that for-profit schools received a significant federal subsidy, albeit by way of individuals; it ushered in a new era for the schools as it shifted the environment from one that forced the schools to be purely market driven to one that allowed them to be partially federally subsidized. It also opened the door to a new way the schools could get into trouble.

Here we see the beginnings of behavior that would repeat itself after 1972 when proprietary schools were to be included in federal grant and federally guaranteed student loan programs: schools eleigible for GI Bill students set their rates to the maximum amount the government would pay -- more often than not rates that were unrelated to actual costs. However, they were not alone. During this era, public schools had their share of overcharges as well (U.S. Government Accounting Office, 1951).

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[3] Approval of schools was left up to the states by the GI Bill. A list was provided to the Veterans Administration by state agencies.

GI Bill Provisions

Education provisions under the GI Bill were generous and sought in good faith to help servicemen make the transition back into civilian life. The Veterans Administration made aid available to those who: 1) were discharged under "conditions other than dishonorable"; 2) were not over 25 years old at the time they entered the service, or could demonstrate that their education or training was interrupted or interfered with by their service; 3) served 90 days or more (not counting academy training programs) or were discharged or released from service because of an actual service injury or disability; and 4) would start such education not later than two years after discharge or end of war (which ever date is later) (U.S. War Department, 1944, pp. 2-3). All persons who met these criteria were eligible for funds to support their education for an initial one year period. After that, those who completed courses satisfactorily in the first year were entitled to additional education or training not to exceed the length of time they spent in the service. The maximum amount of time was 4 years. The VA offered to pay the "customary cost of tuition" plus laboratory, library and infirmary payments; as well as books, supplies, equipment and other outlays except travel, lodging, and miscellaneous living expenses. The limit was $500.00 annually (U.S. War Department, 1944).

When the program began in 1944, persons who took advantage of the GI Bill to go back to school could direct their funds, which amounted to "vouchers", to any of the following types of schools:

> ...public or private, elementary, secondary, and other schools furnishing education for adults; business schools and colleges; scientific and technical institutions; colleges, vocational schools, junior colleges, teachers' colleges, normal schools, professional schools, universities, and other educational and training institutions, including industrial establishments (ibid, p.5).

The GI Bill education program was virtually wide-open when it began. Just about any GI could enter any kind of program for any reason for just about any period of time and get reimbursed for it. It should come as no surprise then that schools of all types, but particularly for-profit schools used to marketing aggressively, would vie for returning veterans and employ unusual techniques to attract them. *Greer's Creative Service,* a marketing company which catered to vocational school clients, crafted letters like the following one from July 1947 to help schools rope-in veterans:

LETTER TO VETERANS

A BETTER JOB, QUICKER --
FOR THE VETERAN

Fall Term opens Tuesday, September 2

A survey reported in the June 14 issue of TIME MAGAZINE stated that the main interest of veterans who are attending college is to catch up on the time they have lost.

That's how the accelerated courses in Accounting and Business Administration at (Your School) can help you.

Here you will study only practical business subjects -- no foreign languages or theoretical courses to slow you down. Average time required for completing our courses is as follows:

Accounting ____ months

Business Administration ____ months

Business Machines ____ months

Many of our students work part-time in offices, while attending school, to supplement their subsistence allowance. The government pays for the tuition, plus $65 or $90 a month.

The enclosed card will bring you a free copy of our catalog and special information regarding GI training. Mailing it will not obligate you in any way. May we send it?

Yours very truly,

YOUR SCHOOL NAME

P.S. Since the start of the GI Bill, ____ veterans have attended (Your School).

It should come also as no surprise that a whole crop of new schools would pop up on the scene to get a slice of the federal fund pie.

Participation By Proprietary Schools

The GI Bill was a boon for private, for-profit vocational schools. According to a 1951 United States Government Account Office (GAO) Report: "two out of every three privately operated trade and vocational schools approved for veterans were established subsequent to the enactment of the Servicemen's Readjustment Act; In five states at least half of the approved privately operated trade and vocational schools were established since January 1, 1948; and a total of 5,635 privately operated schools which were on the approved list October 31, 1949, were

established since the Servicemen's Readjustment Act. Most of these schools have 90 to 100 percent veteran enrollment" (p. 82).

The GAO report also establishes that more than 600,000 veterans were enrolled in privately operated trade schools in 1949, a figure that dropped to 283,00 in late 1950 (p. 82). Together, more than 1,677,000 veterans attended private trade schools under the 1944 provisions of the GI Bill, 20% of them reportedly completing their courses (p.81). The report notes also the importance of trade schools to the economy, asserting that "trades and industrial occupations offer employment to about 40 percent of the working population of the country" (p. 81).

The report concludes that 65% of the for-profit schools the Office studied disclosed questionable practices which resulted in excessive charges to the Treasury (p. 110).

Nature of Scandal

From the government's point of view, the scandals connected with the GI Bill provisions during and immediately following World War II were of four types: One involved overcharges -- schools intentionally misleading the VA as to the cost of tuition, books and other supplies. Schools would sometimes contract with supply companies who would be their primary suppliers -- often "dummy" companies in which the school owners themselves had sole interest.

Another occurred when schools were lax in reporting to the VA when veterans dropped out; the result is that the VA overpaid such schools who subsequently chose not to report the overpayments.

The third stemmed from flaws in the way the VA planned to oversee and regulate the program; it was inefficient and invited the participation of illegitimate enterprises. A case involving a tailoring school illustrates how some schools may have taken advantage of the program:

> Examination of records at a tailoring school disclosed that certified cost records submitted by the school for use in the determination of tuition rates for the calendar years 1949 and 1950 contained misstatements with respect to expenses and, in addition, failed to reveal information to the effect that material increases in enrollment were expected. Although the tuition rate per veteran was based on an average of from 44 to 88 students, higher enrollments were permitted at intervals during the first 7 months of the contract period culminating with an actual, authorized enrollment of 462 as of August 1, 1949 with adjustment downward of the tuition rate.
>
> The use of overstated costs and unrealistic enrollment figures in computing the tuition rate resulted in the school realizing a net profit of $88,357, or about 46% of the total tuition income of $188,894.05....the normal allowance for profit is approximately 10 percent of tuition income (p. 90).

Finally, the last type of scandalous practice, and the one most damaging to the VA itself, were infractions involving VA staff itself -- those who had interest in schools of their own or were in collusion with school owners to defraud the government.

Comments by the Chairman of a House Select Committee investigating in 1950 the GI School scandals, illustrates the nature of some of the conflict of interest which clouded the administration of VA benefits:

> I believe that our records show there are 56 schools in Texas operated by former Veteran's Administration employees. Now, certainly there is nothing wrong with that. But the point that we do make here is that there are two men in the Veteran's Administration and a school is worked up to be approved and one of those men resigns and goes out to running the school. We just do not believe it is quite proper that a man assists in working up the school himself and then resigns and starts operation that school. I have some specific cases that we would rather not name for different reasons, but it seems to me that someone in the Veteran's Administration would have recognized those names as being men who just resigned and that then you would question that contract (U.S. House of Representatives, 1950).

Out of hearings on the GI Bill program came other stories, for example auto repair schools that transferred cars to VA employees to whom they reported and tales of jewelry schools that set up supply companies to supply themselves with materials they in turn overcharged the government for. The scandals ran wide and deep and involved every entity connected to the administration of the program at one time or another.

Reform

To correct for the failings of the first few years of the program, the VA instituted several reforms, directed more at the administration of the Bill's provisions rather than the schools themselves. The VA inasmuch recognized that while many schools had cropped up to take the Administration for a ride, the agency itself was equally culpable for disbursing federal funds without carefully considering how to protect them from abuse (see U.S. Government Accounting Office, 1951 for a

complete delineation of VA failures). There were no criteria per se for the schools to meet in order to be eligible for the program. In fairness however to the Administration, we should note that Public Law 346 prohibited the Federal government from intruding on the supervision of local education and therefore approval of schools was left up to the state.

In 1948, the VA introduced reforms to attempt to correct the fraudulent practices. The Administration stipulated that eligible schools could not be reimbursed unless the Administration and the school had entered into a "contract." The reforms also eliminated avocational schools from the approved lists. When the GI Bill program began in 1944, GI's could have their education costs reimbursed for just about any course including "dancing, flying, photography, bartending, personality development, entertainment and others" (p.83).

In the end, the reforms addressed the program itself and did not apparently make inroads into modifying the conditions within the proprietary school sector.

Fallout

While the Veteran's Administration took the brunt of much of the scandal surrounding the GI Bill affair, the proprietary sector did not emerge from this period unscathed. The sector experienced an infusion of new capital in the form of loosely regulated government subsidies which had fed the growth of opportunistic schools. The sector now, more than

ever, had been victimized by public policies which fostered the growth of the sector's dark side at rate disproportionately greater than that of its bright side; while, as Petrello (1988) points out, including the for-profit sector into the government program elevated its prestige, the GI Bill experience also made very public the potential for-profits have for acting up. On balance, the proprietary sector came away limping. While restrictions were tightened up for GI Bill provisions following the Korean and Vietnam Wars, the reverberations of scandal following World War II can still be felt today.

Post 1972

The next major chapter in the story of scandal and reform we will deal with briefly, allowing enough space to delineate the major issues that still confront the proprietary sector today. The modern era of scandal and reform concerning the proprietary school sector begins after 1972 when amendments to the Higher Education Acts included accredited proprietary schools into government federally guaranteed student loan programs. Once again, as in the case of the GI Bill, the government in effect provided students with "vouchers" they could direct to a school of their choice. And once again, there was a resultant explosion of school openings, both as single site schools and branches of larger chains: Frances (1989) indicates that during the 1980's alone, proprietary institutions alone accounted for more than one half of the increase in higher education's total enrollment.

Also reminiscent of the GI Bill experience, the disbursement of capital was not accompanied by meaningful regulation and oversight. This led to a disastrous cycle: after 1972, disadvantaged students could choose a proprietary school and more often than not have the federal government cover their costs. Consequently, a large number of schools went after these students whether or not they were qualified to benefit from the schools' instruction. These students, as compared to the general student population, were less likely to complete their courses, less likely to find employment, and often defaulted. As well, schools that were on the take or just plain mismanaged often closed suddenly, leaving students without training but still responsible for loans. A recent *Consumer Reports* (May 1992) article chronicles the experiences of students who have encountered such schools. Here are two examples:

> They got me when I was vulnerable -- walking out of the unemployment office. The man told me his school would teach me word processing and find me a job. Two weeks after I signed over my loan check, the school closed. I didn't get an education, but the bank doesn't care. We're not graduates, we're suckers" -- Jean Barry-Van Cooten, 34 (p. 304).

> I had a good job making dental models, but my boss told me that I needed more training to move up in my career. I enrolled in an 11-month course in dental ceramics. There were a lot of problems with the teachers -- we never knew who was going to show up. Then one day, about eight months into the program, the school was just closed, bankrupt. I never got a degree and have no way to prove that I went to the school at all. But I owe $5,000. -- Abraham Rodriguez, 28 (p. 304).

During the 1970's and 1980's, the proprietary sector grew rapidly, eating up an increasingly large share of the federal financial aid budget. When defaults became a major issue, the public and the federal

government looked first at the proprietary schools which had a high default rate overall because they had recruited a disproportionately large number of high risk students. Disbursing federally guaranteed student loans without meaningful ways to regulate which schools students could attend ultimately focused many schools more on getting students in the front door than out the back and into the work world -- "more on their recruitment than on their enlightenment," as *Consumer Reports* (May, 1992, pg. 304) puts it.

Consequently, loan defaults have become a stigma attached to proprietary schools and reform has focused on these defaults as well as the lingering problems of school closings, misleading advertising and unethical solicitation. This stigma is well illustrated by recent media reports (see, for example, Consumer Reports, May 1992; Hardle, 1990; and Woo, 1987) and the nature of studies which focus on the proprietary sector (see Wilms, Moore, & Bolus, 1987); loan default has become the number one subject in the media and academe when it comes to covering proprietary schools.

Other problems linger as well. That the issues which plagued the sector even at the dawn of the 20th century are still very much alive and troublesome today is reflected in recent state legislation to regulate the schools. A prime example is California Assembly Bill 1402 (1989), authored by then Assembly Member and now Congress Member, Maxine

Waters. The regulations set forth by the bill address the issues as the legislator sees them:

> This bill would make various legislative findings and declarations with respect to the students who have been substantially harmed and the damage to the public perception of reputable institutions because of the fraudulent, deceptive, and unfair conduct of some institutions, and would declare the intent of the Legislature to protect students and reputable institutions, assure appropriate state control of business and operational standards, assure minimum standards for educational quality, prohibit misrepresentations, require full disclosures, prohibit unfair dealing, and protect student rights (California State Assembly, 1989. p. 1).

The proposed bill outlined specific requirements: among other things, it requires schools or their representatives to make oral and written disclosures about their placement success and availability of jobs in the fields for which they provide training; to test for a students "ability to benefit" as proscribed by the Superintendent of Public Instruction; and to provide pro rata refunds for non-completed coursework up to 100% of course fees.

While proprietary school organizations support reform which aims at curbing outlaw schools, they oppose rules which restrict the schools' ability operate and make a profit. In the case of the Water's bill, these would include 100% pro rata refunds and placement requirements for graduates (California Association of Private Postsecondary Schools, 1990). While some of the bill's requirements are in effect, the long-term fate of AB 1402's reforms are not certain at this time. Bills to counter them have been introduced and many issues are still being fought by California

groups such as the California Association of Private Postsecondary Schools (CAPPS).

The point to take away from our observations of the Waters bill is that the issues targeted by contemporary reform, with the exception of loan defaults, has not changed much since the turn of the century.

Another significant trend since World War II is the expansion of large corporate concerns who control a large number of schools. While the chain-school concept dates back to the 19th century, the period after World War II saw a tremendous expansion of corporate schools on the level of Devry, National Education Corporation and the ITT Institute. This introduced different problems -- if a large entity has problems (as many have) school closings do not involve isolated cases of loan defaults but represent a massive threat to a large number of students.

Regulation has not mitigated these problems facing the sector. While the federal government has relied on accrediting bodies to keep up on the activities of all of its member schools by themselves, they have not been able to so at a pace quick enough to head off illegitimate practices. The states have not faired much better:

> Left to set their own licensing requirements, some states ask for little more than a nominal fee and a filled-out form. Even within a single state, licensing responsibility can be too fragmented, and agencies too understaffed, to be effective. In Georgia, for instance, as many as 45 state agencies regulate various trade schools. In Florida, the [U.S.} Senate found, one part-time attorney had overseen licensing actions involving more than 500 schools (Consumer Reports, May 1992, p. 306).

The federal government, accrediting agencies, the states, the schools and lenders are all culpable for the current default debacle, according to a Senate subcommittee conducted in 1989. Ultimately the subcommittee directed blame at the U.S. Department of Education which administrates the guaranteed student loan programs. (Consumer Reports, May 1992). The only major step the Department has taken recently is to eliminate from the student loan programs schools with default rates in excess of 30%. It has done little else.

The American proprietary school sector is thus left to struggle for itself, as problem ridden as ever. Despite our many efforts to resolve the proprietary school dilemma, there is no suggestion from government sources that means to do so will appear on the horizon any time soon.

Conclusions

We have come through more than 100 years of scandal and reform and still the proprietary sector faces many of the same problems it did a century ago; one could make the case that it is even compounded today with the introduction of loan defaults.

The obvious question is "why?" Why, after several attempts to enhance the reputation and integrity of the sector, do we still hear of scandal and troubling practices? Are these schools really villains doomed to a scandal-plagued existence? Are they once bold heroes cast aside in

favor of a progressive, publicly supported educational system? Could they be both?

It is difficult to identify the heroes from the villains in the proprietary school dilemma. There are, and have always been legitimate, effective, reputable for-profit schools that have, as we have noted, contributed a great deal to American education, particularly when no other institutions were able or willing to take on the challenges the proprietary sector has. As well, there have been, since the late 19th century, well meaning industry associations whose goals have been to stimulate the expansion of their best members while curtailing the activities of their worst. However, there has also been a part of the sector that seems to be persistently troublesome. These are the outlaw schools, the opportunists in for the short run, in to make a quick dollar at the expense of the sector as a whole.

Unfortunately, the environment is such today that the "worst" schools are able to take advantage of the system and tarnish the reputation of the rest of the sector. This is true in part because while legislators and mainstream educators concentrate on reforms to curb unethical activity, they rarely advocate policy which will elevate the sector as a whole. In order to effectively encourage reputable institutions over the disreputable, reformers should work to integrate proprietary schools into the mainstream of American education.

Consider one possible example. In California, legislators could incorporate proprietary schools into the state's Master Plan for Higher

Education and invest them with primary responsibility for the state's vocational training. This could be accomplished if legislators and the governing bodies of the state's colleges were willing to work to gradually phase out most vocational education programs in state and community colleges and divert a fraction of the funds now used to support these programs to subsidies for selected proprietary institutions; the state would then provide and withdraw subsidies to proprietary schools according to how well the schools followed government ethics guidelines. Ultimately, proprietary schools would know that their competitiveness depends on their conduct and would be encouraged to maintain high standards. Poor performing schools would lose subsidies and eventually be forced out of business. Additionally, relieved of the pressure to meet basic financial obligations, the schools would have less need to recruit students indiscriminately.

Moreover, the state would end up spending less money on supporting vocational training than it presently does; subsidies would be used to reward and punish schools -- the bulk of support for vocational education would still come from private funds and federally funded grant and loan programs. The Japanese government uses a similar program to regulate its private universities (Geiger, 1986).

In the United States, we are now looking carefully at all of our institutions in an effort to cope with the many social and economic changes that confront us. The climate today represents a window of opportunity to elevate the status of the proprietary school sector not only

by including them in government loan programs but by officially recognizing their capacity to respond to industry's needs and treating them as a means to privatize vocational education to larger extent than we do now.

While traditional educators may be sensitive to an encroachment by for-profit schools, integrating them more completely into the mainstream would channel the bulk of job training functions to them and help relieve community colleges of the academic/vocational "cooling out" responsibility that now burdens them (Clark, 1960). Brint and Karabel (1989) argue that our reliance on the community college to channel students into vocational training has weakened its transfer function and consequently compromised its ability to "democratize" American higher education (p. 9).

Shifting the bulk of job training responsibilities to properly regulated for-profits can be a win-win proposition. James (1900) and Seyboldt (1925/1971) recognized early on the capacity for proprietary schools to respond quickly to the needs of the community:

> In the extension of educational opportunities, the private schools played a unique part in colonial America. They were free to originate, and put into practice ideas that might effect improvements in their curricula and methods. The masters sought always to keep strictly abreast of the needs of the time, for their livelihood depended on the success with which they met those needs. No such freedom or incentive was offered the masters of town schools (Seyboldt, 1925/1971, p. 100).

> No matter how young or how old, how educated or how ignorant the candidate, the commercial college undertakes to give him an immediate and definite training in book-keeping, commercial arithmetic, penmanship, stenography and typewriting or such portion

> thereof as is desired. It made of each student a special case; did not hold him back to work along with a class, gave him every assistance in its power, mad entrance to the school as easy as possible, rarely requiring any other condition than paying the fee; facilitated the leaving and helped the pupil in finding work (James, 1900, p. 17).

Additionally, there is recent evidence that for-profits can be as or more productive with vocational training and job placement than their community college counterparts (Wilms, 1975; Sango-Jordon, 1989) and that, when economic factors such as forgone income are accounted for, it can be just as cost effective for the student (Moore, in progress).

Moreover, if integrated into the mainstream educational community, the quality and standards of proprietary schools, just like all other schools, are likely to be pulled upwards in what Clark (1987) calls the "academic drift" -- "the unguided imitative convergence of universities and colleges upon the most prestigious forms." It is within the mainstream, with raised expectations and standards, that proprietary schools stand the best chance of weeding out the "rif-raf" amongst them.

For such a reform or others to take hold, however, as a society we must overcome our ambivalence about the value of vocational education and consciously raise the level of respect we afford the trades, tradespersons and the variety of vocations and professions addressed by for-profit schools. If not, our for-profit schools will continue to languish in a netherworld characterized by the public as somewhere between off-beat, fly-by-night "adventure" schools and second class vocational institutions. As a society, we can and must make up our minds to raise

our expectations and our conception of these schools if we are ever to rid them of their perennial diseases and spare both the sector and the American public of the resultant symptoms.

Arguably, even if integrated in the main, there will still be villains loose among the for-profit schools just as there are among our more traditional institutions -- some of our nations top universities have been isolated very recently for defrauding government agencies out of research funds. Significantly though, history informs us that proprietary schools became institutionalized as "non-traditional" when we fashioned, with local tax money and federal funds, a public "traditional" alternative to them. Who is to say that if we make room for the sector in the mainstream, we can not give it the chance to be the hero it once was when our "traditional", mainstream educational system had yet to be formed. It would, perhaps, give us the opportunity to separate the heros from the villains once and for all.

Appendices

Appendix A

(Excerpt from Berta Stevens (1918), Private Commercial Schools, Manhattan and the Bronx, pp. 133-34. Report of the Committee to Investigate Private Commercial Schools, the Public Education Association of the City of New York. Adapted with permission of the author in Lyon (1922) pp. 305-306.)

To make private schools safe, in New York City, there is need for:

The issuing of State License, without which it should be illegal to open or maintain any sort of private educational institution.

Annual registration of all private educational institutions with the State Department of Education. Registration should be compulsory upon these institutions.

State censorship of advertising material. it should be required of the schools to file with the State Department of Education, samples of all forms used.

Official standardization of course of study, entrance requirements, preparation of teachers, and equipment. Also, schools should furnish to the State evidence of solvency and sufficient capitalization.

Regular official inspection and supervision, with power to revoke licenses.

A published list of schools which are legally entitled to exist.

To keep unfit pupils from entering private commercial schools, there is need for:

Enforcement of the compulsory education law. Schools enrolling pupils who are under the law, should be required to report the names of such pupils to the Bureau of Attendance. The Bureau of Attendance would then determine whether the pupils are being instructed in conformity to law; and if necessary, could compel their return to the public schools.

Popular propaganda, directed to parents and public school children, which will inform them convincingly that the average eighth-grade pupil is not ready to study stenography; that success in any kind of office position is likely to depend upon good academic preparation; and that the alternative of factory work need not be shunned, since such work may be both dignified and profitable.

Public school competition, whereby the public schools offer, like th private schools, a brief vocational extension course for office training. Such a course, however, should not include stenography and it should be refused to unsuitable candidates. Parents of children thus refused should be informed of the fact and the reason.

Publicity with regard to the proportionate number of pupils who leave private commercial schools before graduation. Schools should be

required to send to the State Department of Education, lists of names of persons entered and graduated within the year.

Appendix B

NAACS Standards of Practice
(1914)

The members of this association are definitely committed to the general policy of effecting an immediate betterment of the individual schools of the Association, to the end that the whole system of private commercial education in the United States may be improved, and may be placed in a more favorable light as a necessary part of the educational machinery of our country.

For the purpose of accomplishing the objects herein set out, each member of this organization will:

1. Maintain in his own institution such policies and practices as will in his community and elsewhere reflect credit upon the cause of business education.
2. Pay his legitimate debts promptly and in a business-like manner.
3. Follow in his business relations with his students and with the general public those standards of business procedure and honor that prevail in the best business houses.
4. Provide the very best quarters and equipment for his school that his income will allow, or that the Education Committee of this Association may recommend.
5. Install and support the standard courses of study as promulgated by this association.
6. Select and teach tests that are included in the accredited list of the Association.
7. Avoid exaggeration of every kind in every form of advertising.
8. Make no misleading statements or misrepresentations of any kind, either in person or through any agency.
9. Deal fairly and in a dignified manner with all classes of competition.
10. Cultivate within the school itself and in its community the highest possible moral standards.
11. Refuse either directly or indirectly to guarantee positions to prospective students and to make no statements regarding prospective employment that are that are not fully corroborated by the experience of the school.
12. Report promptly to the proper officer of the Association any violation of the ethics of the profession, as understood by this Association, whether these violations occur within or without the membership of the Association.

13. Each member agrees to submit to a board of arbitrators to be appointed by the president any difficulty or disagreement that may arise as between himself and any other member of the Association, and further agrees to abide by such decision and to carry into effect such provisions or requirements as may by said board be prescribed.

14. Each member of this Association shall be one whose character and reputation are above reproach, and who shall so order his general conduct as to entitle him to be regarded as a suitable person to direct the education and moral development of the young people in his institution. (cited in Lyon, 1922, pp. 309-310.)

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